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ARIZONA CORPORATION COMMISSION

February 27, 2007

The Honorable Phil Gordon
Mayor, City of Phoenix
City Hall
200 West Washington Street
Phoenix, Arizona 85003

Re: Downtown Redevelopment Encroachment on the Existing Jet Fuel Pipeline
Docket No. G-00000A-06-0022

Dear Mayor Gordon:

It has been well over a year since we last communicated on the affect of Phoenix's downtown redevelopment efforts on the existing jet fuel pipeline. As you know, a resolution is nearly finalized regarding the high-rise condominium project known as *The Summit at Copper Square*. Arizona Fuels Facilities Corporation (AFFC) has agreed to move the pipeline south of the railroad track subject to obtaining the right-of-way from the Union Pacific Railroad. I appreciate your Staff's involvement in mediating the resolution between AFFC and the developer of the project.

Over the last few months, I have convened a number of meetings with representatives of AFFC, Swissport, the City of Phoenix and Corporation Commission Staff to attempt to discuss the possibility of the city establishing appropriate setbacks for the remaining stretch of pipeline. Those meetings, however, failed to produce any clear consensus or forward movement on the issue.

Considering the Phoenix's plan to develop the Downtown Entertainment District and its actions to resolve the conflict with AFFC, I am sure that the City does not want to compromise public safety by allowing the construction of buildings too close to the existing pipeline. Simply moving the pipeline to the other side of the railroad track in the *Summit at Copper Square* matter does not resolve inevitable conflict that Phoenix will face regarding the concept of an appropriate setback or restrictions on certain kinds of development.

The July 2003 Kinder Morgan pipeline break in Tucson and the December 2005 explosion from a ruptured natural gas pipeline in Bergenfield, New Jersey should underscore the importance of safeguarding the property and lives of people when making zoning decisions relating to land use or the type of development that should be permitted.

Sky Harbor has only a three-day supply of fuel, and any disruption of service to the pipeline could potentially paralyze air traffic. The jet fuel running through the pipeline is highly pressurized and combustible with a flash point of roughly 100 degrees. The greatest safety threat to the pipeline will be during the construction phase of the Downtown Entertainment District as excavating occurs and heavy equipment moves over the pipeline. With Phoenix launching an ambitious \$2.9 billion expansion and remodeling of Sky Harbor, it would not be in the City's best interests to imperil the operation of this critical pipeline.

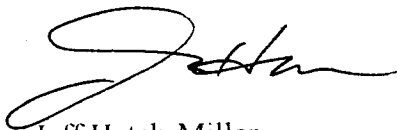
As stated in my previous correspondence, I strongly encourage the City to adopt greater notification measures to the potential developers of the Downtown Entertainment District and their subsequent tenants, establish buffer zones between the pipeline and development, and institute risk mitigation plans.

Development near existing pipelines expands the risks of pipeline damage and raises the stakes in the event of a pipeline incident. As a member of the U.S. Department of Transportation's Pipeline Safety Standards Committee and Chairman of the Arizona Corporation Commission¹, I take the issue of pipeline safety very seriously. To that end, cities should take note of potential encroachment on pipelines when planning for land use, making zoning decisions and approving redevelopment areas.

I am heartened to hear that Phoenix may be discussing a possible ordinance to prescribe setbacks from the existing pipeline. With development cropping up all over the state, encroachment on major pipelines is unavoidable. At this point, Phoenix has the most pressing threats. I believe a statewide solution will be necessary. The policy decision on encroachment is fundamentally a public safety concern that is extremely important and should be acted upon by the State Legislature. Establishing a uniform state standard is superior to piece-meal rules from individual municipalities. In the future, I will support legislation that requires appropriate setbacks in areas of development that encroach upon pipelines.

The City of Phoenix has the shining opportunity to lead the nation in raising the bar on safety standards regarding development encroachment on infrastructure. I hope you will join me in supporting legislation to address this important public safety matter.

Sincerely,



Jeff Hatch-Miller
Chairman

¹ The Arizona Corporation Commission is the state agency responsible for conducting pipeline inspections and ensuring that pipeline operators comply with state and federal safety requirements. The Corporation Commission has no role in approving the siting or placement of intrastate and interstate pipelines.

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